I/O Plug., Outlines

Theory of Bus. Ent. 1904

✓ Veblen, pp. to use

Page

8 standardizn. Precise measures. (Deterministic ec. thy. shows this same compulsion!)

10 Replacing craftsmanship, scarj labor

12 " IC too

15 Causes interdependence. Vulnerable to breakdowns.

23 Immediate oversight of work by early businessmen.
Productive effic. the goal.

24 Livelihood the aim -- (labor-intensity)

31 Transient ownership, & induces permanent effort.

52 Importance of personal contact between workmen & buyer-men.

58 aggregate uselessness of countervailing advertising, to get mkt. share.

✓ 93-5 Turnover

96-9 Equity is always supplemented by credit.

102-3 R.e. as collateral. Can't be used.

✓ 104 Collateral gives borrower a diff. advantage, but w/o adding to real wealth

105-6 Expanding credit bids up collateral which supports more collateral, feedback.
Cites 12th Census, Vol. VII, p. c

107-09 P/E rises too hi, is corrected, "liquidation" occurs.

108-09 Funds borrowed on Δ collateral are invested, "in capl. in the business capl." - cites Knies, Geld u. Credit vol. II, ch. 3, section C, esp. pp. 303 ff.

110-11 "Liq." means & prop. changes hands, goes to creditors.

116 Pfd. stock lets the firm raise funds above what bonds will raise (like a 2nd mortgage.)

116-17 "Good will" reps. equity. ~~Real~~ "The material equipment" is debt-fncd.

[For "good-will", read "land"] [

121-22 Credit for merger is a peaking need.

Winner or promoter needs to mobilize largest cash at the time of battle – then can sell off, once firmly in control.

129 Thus, large Δ credit occurs all at once, instead of over a period of speculative advance.

(Thus mergers ⟶ ΔM)

130 Mopy advantage = good-will.

(Thus, "good-will" includes all values not attrib. to real capl: rents, future rents, mopy; intangibles from advertising, name, going-concern, esprit, tradition, etc.)

Mkt value – "net assets" = good-will, --- Webster.

139 Good will is "not serviceable to the community but only to their owners".

Includes franchises, privileges, "exclusive control of particular sources of materials". Cp. 142, these are "immaterial".

p. 140 Cf. B-B's distinction between pvt. & social capital.

143 Common stock covers the "immaterial" assets (read land goodwill) of the corpn.

p. 144 Pfd. stock is not repayable (that makes it very diff. from bonds! Does not vote.

p. 145 Pfd. is a debt that may not be collected.
(Aha! a "consol"!) (a perpetual loan)

p. 148 n Disso. ownership from mgmt. pp. 158 ff., more.

p. 149 "folk psychology" rather than "intel. fact" governs capl. mkts. & structure.

p. 163 Need for net ~~asset~~ worth as basis for collateral, springboard for financiering.

p. 170-71 "Floating capl." at the disposal of financiers is part of their "good will". They are factions in the "guild of financiers" who ~~cooperate~~ "further one another's endeavors under more or less settled working arrangements."

p. 173 J.P. Morgan, Carnegie et al have good will that is "inexhaustible" and may even grow by use. Can add it to the capn. of one corpn. w/o taking it from another.

Like God it is spiritual, so the undivided whole is present in many places.

Is even augmented by use.

p. 175 The fncr's "reach of control" grows faster than his holdings — e.g. w. the square.

181 Cites Spiethoff.

194-95 Crisis arrives ~~for~~ when collateral that was overrated gets foreclosed on (p. 192).

This happens first in producers' goods — cites

Spiethoff and Carver, QJE 5-03: 497-500.

(Discounted MP [DMP] shows this clearly. E.g. of PV of all/ orientation is good one.)

191 Crisis leaves community poorer in money values, but mtrl. goods are the same.

(They only look the same. Shortage of working K is real, and it reduces real value of indl. equipment)

197 Indl. prop. becomes ~~better~~ worth more as collateral, when bid up during "exaltation" pd., rising prices expected.

199 The expected gain is "differential" — the seller's costs will not absorb it all.

(That just says the seller really owns something)

203 Bankruptcies are disastrous to the "sequence of credit relations" on which interdependence depends.

205 1837 crisis was o'cupn of land values.

216 Depression is a period of underproduction. Mills run half time, etc. Consumers have too little for comfort.

There is ~~overcapc~~ overcapacity — p. 217 — cum underproduction.

287–301 assign, on business domination of foreign policy.

I/O Rdgs.

Mead, W. Markets for timber

✓ Gray + Adams

✓ H. D. Lloyd

✓ Tarbell

~~Brandeis~~

Watkins + Stocking

✓ Purdy Lindahl + Carter

✓ ERT

✓ Veblen

Absentee Ownership: Thy. of Bus. Ent.

✓ Herman, Ed.

Study briefs from close settlement

✓ Sen. Mansfield re Montana

Seagraves on excess capacity in poultry or tobacco warehousing

~~Middle Income?~~

Barnet?

Ezra Pound?

✓ Frank W. Fetter, Masquerade of Money

Arthur Burns, Decline of Competition

✓ L. Brandeis, Other People's Money

Berle & Means

A. Sokolski,

Gates, Paul

Livermore, Shaw

✓ A L T B

I/O rdgs.

Age of Jackson?
Merrill Jensen?
T. N. Carver?
H. Levin
C. Meyers et al,
✓ B. M. S.
~~A. Holcombe~~
G. Myers
✓ Notes on rising rents.
✓ Fortune 500 data
✓ Alt. oil co. data
Relevance of subcontracting
Relation to farm mtg.
Crist, Raymond ?
✓ TEELHC, Math. app.
Susan George?
Nader, hand in Cal?
Gerschenkron
Clough on French merc.
Gorter, Dutch empire
Mellman

~~plow backs~~
adventure, approp. appreciation, collateralize, leverage =

✓ Blair, John
Means, Gardner
McAvoy, Paul
Adelman
Kahn
✓ The bias in partial inventories - from PTP
Caves
✓ Hotelling on regen. fallacy.
Mills, C. Wright, Power Elite
Gordon, Wendell
✓ Chandler, Alfred ~~E.~~
Clemens, Eli
Copeland, M.
Edwards, Corwin
Ise, John
✓ Green, Mark & John Berry
Greer, Doug
Kolko, G.
✓ Kotz, David (U of Ca. Pr., '78)
Lanzilotti, Robert
Steiner, P.
Markham, J.
Moody, J. Truth about Trusts
Papandreou, Andreas
Stocking, G. W.

Grange movement, Paul Buck
Populist movement
Troxel, Emery
✓ ~~Fuess~~ Arnold Bruncan
~~Corcoran, Tom~~
Keffauver Comm.
Husband + Dockeray
Parker v. Brown
✓ Beards, America in Midpassage, Vol. III. (1939) Ch. XVII, Toward a Reconstruction of Democracy, pp. 920-49 (re govt. as rep. of property.)

✓ Veblen, Thy. of Bus. Ent. Ch. VIII, "Bus. Principles in Law + Politics". (On bus. domination of foreign policy.)
Hamilton Walton
✓ Montgomery, R. H., The Brimstone Game
~~Ch.~~ pp. 7-36, 72-77, 82-94
✓ Goldman, E. Rendezvous w. Dest.
125-36 TR, Tom Johnson, La Follette, Steffens
157-70 TR vs. WW + Brandeis
220-30 Harding + postwar reaction.
QFA + Am. Farm Bureau Fed.
Loss of idealism. Cynicism.
236-39 Bonus and War Indies Bond
Hoover + Bai 2,000 to vale ascendens.
258-65 Moley, NRA etc.

269-73 rejection of NRA
280-86 Corcoran era
298-300 Donald Nelson, WPB, concen. again,

Gabriel, Ralph. The Course of Am. Demo. Thought, 1940
Bowers, Chas. H. George
Dorfman, J. E., Mind in Am. Civ.
Abell, Aaron, Urban Impact on Am. Protestantism, 1865-1900
Hopkins, Chas. H., Rise of the Social Gospel, 1865-1919
May, Henry F., Protestant Churches & Industrial Am.
Stone, Irving Clarence Darrow
Faulkner, Harold U. Quest for Social Justice
Ickes, H. Autobiog.
Whitlock, Brand Forty Years of It.
Hawkins, Richmond L. ~~Con~~ Positivism in the U.S., 1853-61.
Soule, George Prosperity Decade
✓ Moley, Raymond After Seven Years
Ayres, Clarence "The Impact of the Gt. Depression on Ec. Thinking", AEA Proceds., May '46.
Maverick, Maury, A Maverick American, 1937
Cotton, Bruce. War Lords of Wash., 1948
Bolles, Blair, How to Get Rich in Wash., 1952

✓ Immerman, Richard The CIA in Guatemala
Ch. 4, pp. 68-100. "The View from the North"

Ch. 8, pp. 187 - 201 "Project PB Success: the Legacy"

ściński's "Warsaw Diary," which immediately follows Berger, begins this way: "During a period of crisis I experience more acutely the contradiction between subjective and objective time: between the time I experience, personally and privately, and the time witnessed by generations, epochs and history." The linkage of the two pieces is so obvious, so clearly *willed* by the editor, that both, somehow, are diminished.

Will, after all, is what *Granta* is all about. William Buford's aggressive rhetoric and his overbearing editorial style are signs of militancy, but the battle he's fighting is obscure, spectral—the mind's attempt to recapture a territory that was lost years ago, if it ever existed. His passion isn't for a particular kind of writing (much less, particular writers), or for a specific set of political ideas: it's for a *Zeitgeist*, a sixties-like spirit that would bring the world back into the seminar rooms and literary journals and make all our formulations there seem, once again, heroic. And if we can't find the *Zeitgeist* "out there," *Granta* is determined to will it into being for us, to slash and blast a space out of the jungle. Buford's there right now, in his classroom/compound, listening to his own voice over and over, plotting the next campaign in his phantom war and gathering the army of his dreams: thousands of writers and readers who've spent two years in graduate school and two weeks in the Third World. □

Solidarity Under Siege

DAVID BENSMAN

THE SHARE ECONOMY: Conquering Stagflation. *By Martin L. Weitzman. Harvard University Press. 167 pp. $15.*

INSIDE THE CIRCLE: A Union Guide to QWL. *By Mike Parker. Labor Notes/South End Press. 160 pp. Paper $10. (Available from* Labor Notes, *Box 20001, Detroit, MI 48220.)*

Free-market competition is one of the articles of faith in capitalist democracies: when it prevails, corporations produce enough high-quality goods at low prices to employ everyone willing to work. Here, then, is a belief that presumably unites businessmen and workers. Yet each group behaves as if competition were a plague to be avoided at all costs. Businessmen try to avoid the low prices and profits they fear competition will foster; workers understandably resist low wages, speedups and widespread unemployment. To a remarkable degree, both groups have been successful. Our economy does not function competitively despite our lip service to free-market ideology. A long line of business writers, from Henry Demarest Lloyd, Ida Tarbell and Thorstein Veblen to John Kenneth Galbraith and Alfred duPont Chandler, have shown how corporations restrict output, plan production, buy up competitors or force them out of business.

Workers lack the economic power of corporations to impose their needs on the market, but they have been able to use their solidarity to lobby for protective legislation and immigration restrictions and to negotiate union shop contracts and seniority provisions. By these means, working people have sheltered themselves from some of the storms of competition in the past half-century.

This combination of free-market rhetoric and anticompetitive practice, characteristic of U.S. capitalism for most of its history, reached a fairly reliable equilibrium during "the golden age of capitalism," following World War II. But in the past twenty years, corporate executives in search of higher profit margins and greater freedom from union demands have inadvertently, for the most part, created a more competitive global economy. The decision on the part of a number of businesses to invest and produce abroad, coupled with government decisions to rebuild the European and Japanese economies, has created a situation in which many corporations are no longer free to set their produc-

David Bensman directs the graduate program in labor studies at Rutgers University. He is the author of The Practice of Solidarity: American Hatters in the Nineteenth Century *(University of Illinois Press) and co-author, with Roberta Lynch, of* Rusted Dreams: Hard Times in a Chicago Steel Community, *to be published by McGraw-Hill next spring.*

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tion and price levels and unions are no longer able to negotiate ever higher wages.

The results have been chaotic and painful. Many corporations have fled high-wage, high-tax regions for the Sun Belt and for foreign havens. Mergers and hostile takeovers have dramatically concentrated corporate ownership. Powerful corporations have tumbled, and whole industries now teeter on the brink of collapse. And, as always happens in a competitive economy, a small group of businessmen—mainly bankers, in the present instance—have emerged more powerful than before.

Intensified competition has taken its toll on American labor's ability to protect its members' interests. Unemployment has risen while workers' wages have fallen. Some corporations, finding themselves hard-pressed by foreign competitors and nonunion domestic rivals, have demanded and often received union givebacks in wages and work conditions that have undermined workers' control over their jobs. Other corporations have taken advantage of the opportunities offered by new technology and new managerial capabilities to establish foreign operations: in such cases, U.S. workers must compete with their company's foreign employees.

The weakening of trade unions has also enabled corporations to eliminate many of the legislative safeguards against harsh competition that workers have won since 1935. The deregulation of the airline and trucking industries, for example, has enabled many companies to set up nonunion subsidiaries which have helped undermine the standard of living of workers in unionized firms.

As the balance of power has shifted away from working people and their institutions, it is not surprising that an ideological climate has developed in which workers' reliance on solidarity as the vehicle for restraining competition has been widely rejected. Over the past five years, politicians and would-be policy-makers have offered a host of remedies for the decline in working-class power and living standards—profit-sharing, labor-management cooperation, a lower minimum wage, enterprise zones and job retraining chief among them—and almost all of these share a central premise: American workers can prosper in a healthy, competitive, high-technology economy if they abandon their traditional means of defending themselves.

Two recent books take opposing positions on the dilemma of American workers. *The Share Economy: Conquering Stagflation*, an elegant treatise by M.I.T. economist Martin L. Weitzman, argues that workers are doomed to mass unemployment and a stagnant standard of living as long as they adhere to their traditional system of regulating pay through standardized wage rates. Changing that wage system, he maintains, is the key to unlocking the stagflation conundrum and opening the way to full employment.

Under the current wage system, Weitzman argues, employers continue to take on workers until the last one hired produces for the company the same amount in revenue as the company spends to employ that worker. Unlike many economists, Weitzman acknowledges that employers set the revenue they desire and price accordingly. Thus, when demand falls, reducing prices only leads to decreased revenues. That's why the employer considers laying workers off as the only option. Hence, stagflation.

Weitzman's solution is as elegant, and simple, as his analysis. If unions bargained over what share of their employer's revenue they should receive rather than over wage levels, companies would not lay off workers whenever demand dipped. If a company knew that the cost of adding a new worker would be only, say, two thirds of what it had been paying those previously hired, the company would find it profitable to expand during an economic slump, not contract. And each individual worker would lose only a little, for the employer's reduction in payments to labor would be spread out over the entire work force.

At a time when all other remedies for mass unemployment seem to have failed, Weitzman's proposal has great appeal. It seems to offer a painless solution, the free lunch. In addition, the argument confirms the longstanding suspicions of the middle class that workers make too much, and its call for workers self-sacrifice will strike a responsive chord among those who are resentful of labor in general.

But the world out there is a bit more complicated than Weitzman would have us think. First of all, we know that inflation has come down, that companies have been reducing their prices. This suggests that worker demands for higher wages were not as important a cause of inflation in the 1970s as Weitzman believes. A more complete account of the causes would include the effects of oil price increases and bank deregulation, and the growth of an inflation psychology, a self-fulfilling prophecy: prices are going to go up, so you'd better raise your prices to keep up.

In addition, Weitzman's analysis of employer decisions to hire and fire sounds as if it were written several centuries ago. Eighteenth-century pinmakers may have been able to calculate how much more revenue they would receive if they hired an additional employee, but how does that apply to companies like U.S. Steel or General Motors which put on or lay off entire shifts? Weitzman never mentions corporate decisions to invest in or shut down capital equipment.

Yet the fundamental problem with Weitzman's argument is political, not economic. His central idea of an employer sharing revenue with workers threatens the structure of solidarity on which the contemporary labor movement is based. If steelworkers' wages are tied to the revenue of their employer, those employees are going to begin identifying their interests with the interests of their employer. If the firm expands, they do well. If it falls by the wayside, they lose out. In either case, they will no longer have interests in common with employees at other firms, for they will be enemies.

Coordinated bargaining in the steel, automobile and mining industries was one of the great achievements of the Congress of Industrial Organizations. It helped create the sense that workers could help themselves only by defending others, and it took millions of industrial workers out of wage competition with one another. Under Weitzman's proposals, such competition would creep back in.

Let us imagine that G.M. is expanding at Ford's expense and hiring more workers. As it does so, its wage-sharing system will allow the company to cut wages. Meanwhile, Ford's wages have remained higher. Can anyone doubt that under these conditions, Ford would demand, and get, wage cuts from its employees? The result would surely be a decrease in wages all around.

More important, as workers increasingly identified their interests with those of their boss, the labor movement's ability to function collectively would atrophy. Labor might well lose its battle

to maintain minimum-wage laws, to enforce occupational health and safety legislation, to secure fair trade rules. Down this road lies the "free" competition of eighteenth-century England.

Of course, Martin Weitzman is not the only person prescribing a dose of competition for American workers. The free-market myth has astonishing staying power, and right now it's beguiling even some powerful labor leaders. Labor-management cooperation to make U.S. firms competitive in world markets is official policy in many trade unions. *Inside The Circle: A Union Guide to QWL*, by Mike Parker, an electrician at Ford's River Rouge plant in Detroit, is a remarkable attack on the logic and practice of the cooperation strategy. Disturbed by what he saw happening to the United Automobile Workers as a result of its participation in quality of work-life (Q.W.L.) programs, Parker took advantage of his periodic layoffs from 1982 to 1984 to examine what was happening to other unionists. His report is disquieting.

While many trade union leaders hope that union participation in quality of work-life programs will increase the union's prestige by improving conditions in the workplace, Parker reports that precisely the opposite is happening. In thousands of plants around the country, workers are turning to work teams, or quality circles, instead of to the union for help in solving daily problems. When companies refuse to improve lighting or ventilation in collective bargaining sessions but then respond with alacrity to the same requests from their Q.W.L. teams, the prestige of the steward and the union declines rapidly.

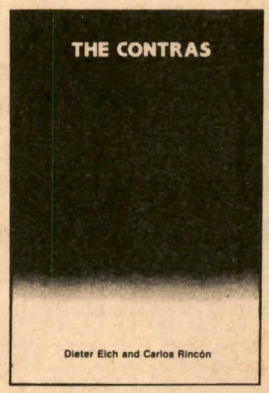
But there is more to Parker's argument. Through a shrewd analysis of the programs to train employees for participation in a Q.W.L. project, Parker has discovered that the quality circles can easily be manipulated to give the appearance of functioning democratically, when in fact they help teach workers to identify with and think like management. After all, management consultants write the training programs, and managers dominate the work teams, set the agendas and decide what ideas can be implemented. Conscientious workers, in the meantime, try hard to make the project succeed. They resent workers who dissent, cause problems or fail to maintain production, although the force of peer pressure is such that

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troublemakers are few and far between.

Almost inevitably, even the most independent workers start to think like their bosses. Can poor quality be traced to one team member? Get rid of him. Can production workers rearrange work so that inspectors are unnecessary? Lay them off. Can our plant outproduce a sister plant in Kansas? Let's underbid them, and win their contract away.

Parker's message is couched in straightforward descriptions of what's happening on shop floors and offices today. The vacuous and pious generalizations common to most proponents of quality of work-life programs, labor-management cooperation and profit-sharing are absent here. So is the dogmatism. Parker is realistic enough to see that many unions can't afford to forbid their members' participation in Q.W.L. programs. And, so, despite his strong reservations, he outlines a reasonable strategy for defending the union while participating in Q.W.L.

Nevertheless, the salient image that emerges from Parker's book is that of thousands of unionized workers learning to compete with one another, and that's a losing strategy for labor. The problem is to find a winning one. A good many trade unionists uncomfortable with the notion of labor-management cooperation probably practice it anyway for lack of an alternative. Now that corporate America has unleashed the forces of global competition, labor will have to forge tighter bonds of solidarity if it is to continue to protect workers' interests. □

Swords to Plowshares

RICHARD CAPLAN

ECONOMIC CONVERSION: Revitalizing America's Economy. *Edited by Suzanne Gordon and Dave McFadden. Ballinger. 257 pp. Paper $12.95.*

Because the business of defense is often just that, business, the politics of defense does not always reward the courageous. It certainly did not favor Representative William H. Gray 3d, who, in an address before the National Press Club last February, announced that he would support the closing of Philadelphia's Navy Yard, located just outside his district, to help curtail the Pentagon's ballooning budget. Whatever plaudits Gray received for his remarks, none were heard in Philadelphia. Realizing the gravity of his gaffe—some 11,000 jobs are at stake—Gray promptly released a statement assuring his constituents that he would consider eliminating only those military facilities that are "outdated, wasteful or unnecessary," which, he naturally added, the Navy Yard is not.

Gray's dilemma is a familiar one. It explains why our legislators vote for a nuclear freeze one day and the MX missile the next. As one defense worker bluntly put it, "Don't bite the war that feeds you." Alternatives do exist, however. Gray could have affirmed his commitment to jobs without approving of Philadelphia's reliance on the Pentagon to subsidize the city's economic development—a rather dubious subsidy at that, since Philadelphia, like most cities, pours more of its tax dollars into the Pentagon's coffers than it receives in the way of military contracts. He might have suggested that the Navy Yard be converted into a civilian enterprise. To support that position Gray could have pointed to Penn Ship in neighboring Chester, which has already demonstrated that shipyards can build bridge spans. And better bridges, he might have reminded his audience, would help restore America's deteriorating infrastructure, thus generating a ripple effect of economic benefits in a way that the Navy Yard's current task—overhauling aircraft carriers—could never do.

As this saga of a missed opportunity makes clear, economic conversion, like its religious namesake, requires a certain awakening before it can take hold. To that end, these fifteen essays assembled by Suzanne Gordon and Dave McFadden could well be the basis for a new catechism.

This is not to suggest that *Economic Conversion* provides complete or easy solutions. But its discussion of earlier experiments in conversion, whether from military to civilian production or, in another sense, from "rust" to robust industries, reveals the elements of a useful strategy. Conversion clearly requires long-range planning based on a careful

Richard Caplan writes on defense economics and has worked for the Philadelphia Jobs with Peace campaign.

Alexander Cockburn on THE PRESS.

Andrew Kopkind on THE CULTURE WARS.

Stephen F. Cohen on THE SOVIET UNION.

Christopher Hitchens on WASHINGTON.

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